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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

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January 29, 2007

Honorable Darlene Green, Comptroller
City of St. Louis
1200 Market Street, Room 212
St. Louis, MO 63103

RE: Blaine Avenue Home Improvement Project, Special Review (Project #2007-28)

Dear Ms. Green:

Enclosed is a Special Review of the Blaine Avenue Home Improvement Project. Our report is a summary of the operations for this project. The details and documentations contained within this report were obtained from CDA project files and through interviews and discussions with CDA staff.

Our review was performed under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the International Standards for Professional Practice of Internal Auditing.

If you have any questions, please contact me at (314) 589-6132.

Sincerely,

A handwritten signature in cursive script that reads "Sedrick D. Blake".

Sedrick D. Blake, CPA
Audit/Fiscal Executive

Enclosure

cc: Elaine H. Spearman, Legal Advisor and Chief Staffing Officer to Comptroller
Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Fiscal Coordinator, CDA
William Rataj, Director of Housing Programs, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
TARGETED ASSISTANCE PROGRAM
SPECIAL LEAD HOME REPAIR PROGRAM**

**BLAINE AVENUE HOME IMPROVEMENT PROJECT
CONTRACT #03-36-11 AND
CONTRACT #00-36-12**

SPECIAL REVIEW

AUGUST 1, 1998 THROUGH DECEMBER 31, 2006

PROJECT #2007-28

DATE ISSUED: JANUARY 29, 2007

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

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COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
TARGETED ASSISTANCE PROGRAM (TAP)
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Background

Ms. Allen of 3643 Blaine Avenue completed the Community Development Administration's (CDA) Targeted Assistance Program (TAP) registration form on August 8, 1998. Ms. Allen's name was placed on the Home Repair Program waiting list. Ms. Allen requested the following repairs: roofing, plumbing, tuck pointing, guttering, doors, windows, painting, heating system and sewer lines.

The purpose of the TAP was to assist eligible homeowners by providing funding for home improvements as approved by CDA in the prevention and elimination of blight and other conditions that are detrimental to the health, safety and welfare of the residents of the city. There are no specific documents defining the scope of home improvements allowed under TAP. Scopes consist mostly of City Code violations, lead abatement and correction of potential hazards such as decaying steps, etc.

Ms. Allen was accepted into the TAP's Home Repair Program on May 4, 1999. Ms. Allen completed an Intake Checklist On May 25, 1999. She requested the contractors' list and signed the form in acknowledgement that the TAP (Home Repair Program) does not recommend, endorse or certify any contractor on the list. Responsibility is not assumed nor implied by TAP (Home Repair Program) for the performance of any parties on the list. The list provided by CDA was a service to the homeowner.

In addition to the intake form, on May 25, 1999, the following documents were provided to and signed by Ms. Allen:

- **Applicant's Interview Statement** - authorizing TAP to obtain credit and other information required in connection with the application. The homeowner agreed that upon completion of the work described in the contract between the homeowner and the contractors, a Construction Technician would contact the homeowner to sign a release to authorize payment to the contractors. Payment would not be made until the City Building Inspector has approved the work that requires a building permit. TAP does not warrant or guarantee the work of any contractor.
- **Funding Statement** - acknowledging that funding may not be available to cover all or any portion of repairs requested.
- **Lead Abatement Brochure Statement** - acknowledging homeowner's responsibility to find and hire a state certified lead abatement contractor and responsibility to oversee and assure satisfaction that the contractor performs all duties as required.

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Inspections and Payment Authorization

The following sections of the TAP agreement are pertinent to CDA inspections and payment authorizations.

- 1.6 "[Inspector] shall mean the person designated by CDA to inspect the property to determine compliance with applicable laws, constructions standards and the Scope of Work Energy Standards."
- 2.1 "Subject to compliance by owner with the terms and conditions herein and predicated on the representations and warranties of owner here, under, all of which are material are being relied upon by the City and CDA as being true and complete as of closing date, CDA shall grant to owner an aggregate amount not to exceed the principal sum. The proceeds of the grant shall be used for the purpose of financing the work and pay only those items set forth in the Scope of Work approved by CDA."
- 2.2 "The property shall be abated in accordance with the work and only work set forth in the Scope of Work shall be performed. The owner shall not during the course of the work negotiate with the contractor or any subcontractor for additional work or changes in the work. Additional work or changes to the work shall be performed only pursuant to change orders approved in writing by CDA and the owner."
- 2.3 "The owner shall maintain the property and repairs in good condition at all times while the work is being performed and after completion of the work."
- 3.1 "Upon execution of this agreement, the owner shall submit to CDA a fully executed construction contract for the performance of the work."
- 3.4 "After CDA's receipt of the Certificate of Completion and the satisfactory inspection of the property by CDA or its designee, the grant shall be disbursed for payment of the work to the property."

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CDA's Responsibilities for Contractors' Inadequate Work

In the event of the contractors' inadequate work, CDA inspectors instruct office staff to prepare a written memo notifying the contractors the work is deficient and must be corrected within fifteen (15) days of notification under the contract warranty. After the work has been corrected, CDA inspects the work or calls the homeowner to verify the work was corrected satisfactorily. CDA obtains homeowner liability waivers acknowledging the satisfactory completion of the work and agreeing to hold the City harmless for contractors' work.

CDA had a Task Force that met weekly to address complaints by homeowners participating in home repair programs. As the number of complaints subsided, the Task Force was discontinued.

Homeowner's Responsibilities

The homeowners are responsible for selecting certified contractors to perform the work. Additionally, the homeowners are responsible for making the home accessible for contractors to perform work, i.e., having utilities (electricity, water, gas, etc.) to power the tools required for repairs and providing a clear path and work environment for contractors to make repairs.

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Summary of CDA Disbursements on Blaine Avenue Home Improvement Project

CDA and the City Building Division disbursed a total of \$80,685 on the Blaine Avenue project as follows:

Apex Construction (CDA).....	\$	-	<i>Note</i>
B&C Contracting (CDA).....		8,380	
Turner Bailey, Inc. (City Building Division).....		18,834	
W&E Contractors (CDA).....		38,700	
W&E Contractors-Storage Boxes and Supplies (CDA)....		795	
W&E Contractors-Storage Pods (CDA).....		9,026	
Federal Gateway Moving and Storage (CDA).....		2,200	
Sherlock's Environmental Services (CDA)		2,500	
Temporary Relocation Stipend (CDA).....		250	
Total Costs.....		<u>\$80,685</u>	

Note:

Apex Construction was terminated for not completing the work. No payments were made to the contractor.

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Scope of Work

CDA inspected the property and verified repairs requested were needed on October 20, 1999 and approved the scope of work as follows:

- Replace roof and gable
- Tuckpointing
- Replace/Repair plumbing and soil stack
- Perform electrical inspection and repair
- Replace plumbing-bathtub and faucet
- Title X Compliance - Lead Based Paint Hazard Reduction Act

The City Department of Health conducted a lead risk assessment of the property on February 25, 2000 and determined the scope of work as follows:

- Perform and submit documentation for lead inspection, lead control work, occupancy protection plan and lead clearance test results.
- Submit copy of hazardous waste disposal manifest for projects generating more than 200 lbs. or 2.5 gallons of waste.

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TAP Home Improvement Work at Blaine Avenue Property

1. Apex Construction

A. Scope of Work/Work Performed

Ms. Allen contracted with Apex Construction on September 20, 2001 by signing closing documents consisting of \$12,000 for home repairs and \$8,350 for lead abatement. The scope of work included:

- Replace roof and gable
- Tuckpointing
- Replace/Repair plumbing and soil stack
- Perform electrical inspection and repair
- Replace plumbing-bathtub and faucet
- Title X Compliance - Lead Based Paint Hazard Reduction Act

B. CDA Inspection

An inspector from CDA inspected the work performed by Apex on May 9, 2002 as noted in a letter from Ms. Allen. Because of the inspection, CDA refused to pay for the work.

In a letter dated May 12, 2002, Ms. Allen informed Apex Construction of the "shoddy, unprofessional, disgraceful" work performed by Monson & Son Exterior who Apex Construction subcontracted with to complete the roofing. The contractor removed the shingles from her roof but did not properly secure a tarp therefore, rain caused extensive damage to the property. Ms. Allen's letter noted that according to the contractor it should have taken less than one week to complete the job. It actually took more than thirty-six (36) days. In addition, Ms. Allen complained that the workers left the work area, the alley, her yard and a neighbor's yard littered with trash. Gutters were not cleaned out.

Ms. Allen formally terminated all dealings with Apex Construction and Monson & Son Exterior on May 12, 2002.

C. Homeowner's Liability Waiver

According to a CDA memo, the contractor never responded to Ms. Allen's complaints and subsequently went out of business. CDA did not disburse any funds to this contractor.

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2. B&C Contractors

A. Scope of Work/Work Performed

Ms. Allen contracted with B&C Contractors on June 6, 2002 to complete the roofing for \$8,380. The contractor completed the work on July 16, 2002.

B. CDA Inspection

CDA inspected the work on July 16, 2002 and approved the work as satisfactorily completed in accordance with the scope of the contract.

C. Homeowner's Liability Waiver

Based on the satisfactory completion of the work by the contractor, Ms. Allen signed the waiver on July 16, 2002 authorizing CDA to release funds for the full contract amount.

D. Payment

CDA paid the contractor \$8,380 on July 29, 2002.

CDA management made the decision to make the Blaine Avenue property lead safe and ordered another risk assessment by an outside contractor on October 7, 2002. This contractor required more work than the original scope. The work recommended was as follows:

- Install replacement windows (historic in front and glass block in basement)
- Exterior and interior painting (wood trim, wall ceiling)
- Replace plaster, repair wall/ceiling sheet rock
- Replace soil stack pipe
- Replace front porch handrails

Ms. Allen was provided with the additional scope of work and was instructed to select a contractor to complete the work as follows:

- Repair and replace soil stack and plumbing
- Tuckpointing
- Install smoke and carbon monoxide detectors
- Perform electrical inspection and repair
- Replace plumbing - bathtub and faucet

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3. Turner-Bailey, Inc.

A. Scope of Work

Ms. Allen signed a grant agreement with the City Building Division on July 17, 2003 which used Lead Remediation funds to replace windows and address other exterior lead hazards. **The City Building Division did not address the interior lead hazard due to the enormous amount of clutter on all four levels of the property.** The exterior lead remediation work was completed on August 4, 2003.

B. CDA Inspection

CDA did not perform an inspection of this work because the contract was made through the City Building Division which performed its own final inspection through the Department of Health on August 18, 2003.

C. Homeowner's Liability Waiver

The City Building Division did not require a waiver from the homeowner. Instead, the City Building Division relied on the results of the lead clearance test conducted by DOH. The home achieved satisfactory compliance on August 21, 2003.

D. Payment

The City Building Division submitted documentation to the Comptroller's Office authorizing payment to the contractor of \$18,834.

4. W&E Contractors

A. Scope of Work/Work Performed

Ms. Allen contracted three times (February 12, 2004, March 25, 2004 and August 16, 2004) with W&E Contractors to complete the remaining repairs:

- Painting (interior walls and ceilings)
- Sheet rock/plaster repairs (walls and ceilings)
- Replace wooden steps
- Install doors (exterior and storm)
- Tuckpointing
- Title X Compliance - Lead-Based Paint Hazard Reduction
- Flooring (carpet and vinyl)
- Plumbing - soil stack
- Install smoke and carbon monoxide detectors

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CDA agreed to pay for moving and storage of Ms. Allen's household goods in May 2004. Ms. Allen's house was too cluttered for the contractor to work in and achieve lead clearance. Federal Gateway Moving was paid \$2,200. Ms. Allen was paid a \$250 stipend for deciding not to claim benefits available under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) of 1970.

Ms. Allen signed a waiver on June 3, 2004 in which she agreed to the following:

"Release the City and CDA, from any and all claims, demands, actions or causes of action, including any claims for attorney's fees, that she now has, or may hereafter have, against said City or CDA, their agents, servants and employees in any way relating to her household goods, before, during and after their removal, storage and return....".

W&E Contractors completed the work August 23, 2004.

B. CDA Inspection

CDA inspected the work August 23, 2004 and approved the work as satisfactorily completed in accordance with the scopes of the contracts.

C. Homeowners Liability Waiver

Ms Allen approved the work by W&E Contractors on August 23, 2004 agreeing that it had been completed satisfactorily. Lead clearance from DOH was also achieved on August 23, 2003.

D. Payment

CDA paid the contractor \$38,700 on September 13, 2004; \$9,026 on October 7, 2004; and \$795 on November 15, 2004.

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Ms. Allen's Complaints and CDA's Responses after Completion of the Project

- In a letter to CDA dated March 6, 2005, Ms. Allen noted the following:
 - A leak from the roof or chimney left stains on the wall and ceiling
 - Floor tile put down was coming up and cracking
 - Tuckpointing in the back of house near water faucet was not completed
 - Front porch pillars were not repaired correctly - new paint placed over old paint was beginning to crack
 - Toilet on first floor was not secured to bathroom floor. In the basement, a pole was placed under the pipes so water could drain from the bathroom sink and tub. Molding around bathtub on second floor was cracked and separating from the wall tile. Water from outside drain was coming into inside basement drain.
- CDA Housing Program Supervisor notified Ms. Allen on March 9, 2005 that her letter dated March 6, 2005 documenting her concerns had been received and that an appointment to visit her home would be scheduled to investigate the complaints.
- CDA Housing Program Coordinator wrote a letter to W&E Contractors on July 20, 2005 notifying them of Ms. Allen's complaints regarding the work completed. It was expected that W&E Contractors would honor their contract warranty with the homeowner and make reasonable attempts to satisfy Ms. Allen's concerns. CDA requested to be provided with a written response in fifteen (15) days regarding W&E Contractor's plans to address the concerns.
- W&E Contractors notified Ms. Allen and carbon-copied CDA in a fax dated July 22, 2005 that some of Ms. Allen's complaints were not part of the contract or work order. There was not an order to repair and replace the sewer line, the toilet, tub and basin in the second floor bathroom. W&E Contractors were only contracted to replace the waste stack from the basement up through second floor, to paint and put down flooring. W&E agreed to evaluate and correct the mentioned problems regarding the kitchen floor tiles, tuckpointing, molding in second floor bathroom and locks on entry door.
- W&E Contractors notified Ms. Allen in a letter dated August 2, 2005 that upon examining the front door, human abuse was the cause of damage not the contractor's lack of performance. W&E Contractors also informed Ms. Allen that costs for

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needed repairs would be at Ms. Allen's expense and W&E Contractors were willing to draw up a separate contract and work order to repair the door.

- A memo dated September 6, 2005, noted that a Home Services plumber visited Ms. Allen's home to check for blockage in the sewer line. The plumber did not find any problems. No water was backing up and none of the lines were blocked. Ms. Allen called back to have the bathtub drain checked and again the plumber reported that water was flowing freely and there was no backup.
- Ms. Allen sent CDA a letter of complaint in September 2005. Most of the items alleged to need repair were not part of the original scope of work. However, there were some warranty issues and CDA instructed W&E Contractors to address them. Ms. Allen also requested \$28,974 for reimbursement of damaged household goods despite her signing a waiver.
- The Healthy Home Repair Program selected Sherlock's Environmental Services on October 25, 2005, to install crickets, complete additional flashing and tuckpointing chimney and interior painting for \$2,650. These items were not part of the original scope. The contractor could not complete the interior painting as Ms. Allen refused to allow the contractor access to the property despite numerous attempts by the contractor to enter the house.

CDA inspected the completed work on April 10, 2006 and approved payment to Sherlock's Environmental Service for \$2,500 on April 16, 2006. CDA paid the contractor \$2,500 on April 16, 2006. Sherlock's Environmental Services was not paid the remaining contract balance of \$150 because they could not complete the interior painting.

- In a letter dated April 20, 2006, CDA Housing Program Supervisor noted she was able to inspect Ms. Allen's home on April 5, 2006 and evaluated the concerns she expressed in a complaint letter dated March 6, 2005 as follows:
 - CDA Housing Supervisor observed no leaks in the roof; ceilings had old water stains, which occurred before the cricket was installed. In a follow-up visit on April 10, 2006 to inspect the ceiling (heavy rain occurred on Friday, April 8, 2006) no new water stains were noted and Ms. Allen agreed that she did not have any new leaks.
 - CDA noted that Sherlock's Environmental Services had been trying to access Ms. Allen's home since December 2005 to paint the water stains. They were denied

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access repeatedly. TAP does not make appointments for contractors' visits without consulting the homeowner. Paragraph nine (9) of the Special Lead Construction Agreement signed by Ms. Allen states, "the contractors and homeowner must make a specific appointment."

- CDA would send a letter to W&E Contractors requesting them to address the tuckpointing issues on the north rear wall.
- The fireplace repairs were not included in the scope of work contracted and CDA Housing Supervisor recommended Ms. Allen hire a professional to complete the repairs.
- Healthy Home Repair Program sent a plumber twice in the month of September 2005 to address plumbing concerns, i.e., to snake the line. He could not find a block. Additionally, during her inspection on April 5, 2006, the Supervisor did not find any evidence of sewage back up. CDA agreed to send a plumber to Ms. Allen's home for a third time. However, the Supervisor stated that if the plumber did not find a basis for complaint, she would most likely be billed for his services.
- A lead clearance test was performed in Ms. Allen's home on August 2, 2004 for complaints regarding the dust in the basement. The home passed the test. The Supervisor, however, noted the fine powdery substance appeared to be soot or ash from the fireplace and recommended Ms. Allen contact a professional to determine how to remove it.
- During the inspection on April 5, 2006, Ms. Allen complained about the wrapping and painting on the front porch as well as the vinyl window. CDA Housing Supervisor observed that these problems were due to repairs completed by the City Building Division Lead Remediation Program and recommended Ms. Allen contact the City Building Division to address these concerns. CDA stated it received nothing further from Ms. Allen or the City Building Division regarding this matter.
- CDA Housing Supervisor noted the amount of funds contributed to Ms. Allen's project far exceeded the average home improvement costs for her area and CDA was unable to commit more funds. CDA referred her to a United Missouri Bank low interest loan program.
- CDA arranged for completion of the final warranty item from W&E Contractors On May 3, 2006 which consisted of tuckpointing in the rear of property.

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- In May and June 2006, CDA arranged for Home Services to complete some other repairs such as installing a new toilet, vanity, faucet, supply line and drain which were not part of the original scope of work.
- CDA sent Ms. Allen an offer of \$3,000 on June 23, 2006 for alleged damage to household possessions as a good faith gesture even though it could have taken a position that it did not have to entertain the offer based on the waiver.
- Ms Allen dismissed the offer of \$3,000 on July 5, 2006 as being inadequate compensation for her losses and her grief.

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Conclusion

CDA paid the contractors (B&C and W&E) after inspections and approval of work and CDA obtained liability waivers from the homeowner stating that the work had been completed to her satisfaction. In addition, the homeowner signed a waiver releasing the City and CDA from claims for damages.

In a letter dated July 27, 2006, CDA Housing Program Supervisor informed Ms. Allen that repairs made to her home were the equivalent of a moderate rehabilitation and as disclosed in an earlier letter, costs totaled over \$69,580 (the actual total cost was \$80,685). This amount did not include a new furnace installed by the Urban League and repairs completed through CDA Home Services Program. In addition, TAP was not a party to any contract Ms. Allen signed with the contractors. CDA further informed Ms. Allen that it could not accommodate her request for additional repairs or reimburse her for grief and suffering.

CDA has not had any further correspondence with Ms. Allen since July 27, 2006.

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Procedural Improvements by CDA/City of St. Louis

After completion of the Blaine Avenue project, in an effort to improve the home repair/improvement projects, effective July 1, 2004, CDA has revised its administration of the home repair programs and has made the following improvements:

- CDA requires contractors to obtain a Performance Bond for Home Improvement projects and the Special Lead Home Repair Programs.
- The City Building Division now performs an initial inspection of home repair/improvement projects, noting code violations, lead hazards and other items. In addition, a final inspection is performed by the City Building Division once contractors have made the repairs/improvements.
- CDA requires contractors to first obtain a Healthy Home Repair Permit from the City Building Division before beginning repairs/improvements. This notifies the City Building Division that it would need to perform inspection of completed work.
- CDA has “outsourced” the in-take process and the determination of scope and inspection of work to Catholic Charities and Beyond Housing, respectively. CDA has continued to perform in-house programmatic monitoring of Catholic Charities and Beyond Housing.
- CDA has also continued to contract with the City’s Internal Audit Section (IAS) to perform fiscal monitoring of CDA sub-recipients participating in home improvement and repair projects.

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Recommendations

We recommend the following additional improvements for CDA's administration of home repair programs:

- Ensure contractors obtain the required permits before beginning construction work in addition to a performance bond. A copy of the permits should be included in the project file.
- Ensure CDA recommended contractors are solvent with no going-concern issues.
- Monitor the list of contractors regularly to ensure they are current on taxes, insurance and that they do not have any unresolved complaints on file with the Better Business Bureau.
- Require contractors to provide three references to vouch for quality of work before being placed on the list of contractors provided to homeowners.
- Ensure all work is inspected and approved by CDA. The results of all inspections should be included in the project file.
- Ensure the homeowners' waiver of liability is obtained prior to payment of contractors. All inspections (even when performed by other City department) should be documented in the project file.
- Consider re-instituting CDA Home Repair Task Force to resolve disputes between contractors and homeowners.
- Consider designating a Public Relations Officer for Construction Projects to address media concerns.